

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1330-01
Bill No.: HB 593
Subject: Health Care; Health, Public; Insurance - Medical
Type: Original
Date: February 19, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Highway	\$0 to (\$640,000)	\$0 TO (\$640,000)	\$0 TO (\$640,000)
Insurance Dedicated	\$10,000	\$0	\$0
Conservation	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> State Funds	\$10,000 TO (\$630,000)	\$0 TO (\$640,000)	\$0 TO (\$640,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	(\$339,777)	(\$339,777)	(\$339,777)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Division of Professional Registration** and the **Department of Health** assume this proposal would not fiscally impact their agencies.

Department of Transportation (DHT) officials state the Highway and Patrol Medical Plan covers mental health services the same as medical services; as a result there would be no impact to the Medical Plan for mental health services. However, the Medical Plan has a 30-day maximum per plan year for inpatient hospital services and inpatient medical care for the treatment of chemical dependency and a 2-day maximum per plan year for outpatient services and treatment of chemical dependency. In addition, the Medical Plan has a lifetime maximum of four times the plan year maximum for chemical dependency treatments and services. DHT states the proposal would require the Medical Plan to cover chemical dependency services with no greater financial burden than medical services, therefore, the proposal would have a fiscal impact on the Medical Plan due to the chemical dependency provisions. The Medical Plan's actuary estimated that the proposal would result in an increase of .5% of total claims and a 1.5 percent increase in utilization due to the annual maximum number of days and lifetime maximum for treatment being removed. DHT's actuary reports that the Medical Plan paid approximately \$32,000,000 in claims for the calendar year 2000. Based on this information, an assumption that there would be approximately a two percent increase in total claims resulting for a fiscal impact of \$640,000 per year ($\$32,000,000 \times 2\%$) to the Medical Plan. The Medical Plan consists of 75% DHT participants and 25% Patrol participants. Therefore, there would be a fiscal impact of \$480,000 due to DHT participation and \$160,000 due to Patrol participation. Historically DHT and the plan members have shared in any premium increases necessary because of increases in benefits. The costs may be shared in the long run (meaning shared between three categories: absorbed by the plan, state appropriated funds, and/or costs to individuals covered under the plan). However, the department (commission) must make a decision on what portion they would provide. Until the commission makes a decision DHT can only provide the cost to the medical plan.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** state the proposal would not have a fiscal impact on DMS. Currently, DMS does not require a limitation on mental health services. DMS assumes that due to the nature of the services provided there may be differences in the type of information required for prior approval of services for mental health services vs. medical services.

Department of Mental Health (DMH) officials state many of the clients that are served by DMH are those clients that have exhausted their insurance, have no mental health insurance, or have no physical health insurance at all. DMH assumes that the reference "services shall not

ASSUMPTION (continued)

place a greater financial burden on the insured or enrollee or be more restrictive than the requirements and limitations” means that the referenced services would have the same co-pay, coinsurance, out of pocket maximum, lifetime maximums, visit limitations, etc., as physical health medical service coverage. The proposal would only impact DMH clients that have health insurance that provides “coverage for mental health or chemical dependency services.” These clients would receive outpatient mental health and/or chemical dependency services with the same cost sharing equivalent to outpatient physical health medical services. In addition, these clients would receive the same inpatient hospital mental health and inpatient chemical dependency services with the same cost sharing as their inpatient physical health services. DMH does not know the type of coverages of each client’s individual policy nor the number of individuals that would be affected by this proposal. Therefore, the fiscal impact is unknown.

Oversight assumes minimal fiscal impact for DMH clients as they have no insurance or very minimal insurance coverage.

Officials from the **Department of Conservation (MDC)** state this proposal could have significant impact on MDC funds because of increased health insurance claims. MDC states the amount of impact is unknown.

Department of Insurance (INS) officials state that health insurers and HMOs would be required to amend policy forms in order to comply with this proposal. INS states that they anticipate that current appropriations and staff would be able to absorb the work for implementation of this proposal. However, if additional proposals are approved during the legislative session, INS may need to request an increase in appropriations due to the combined effect of multiple proposals. INS states there are 171 health insurers and 29 HMOs that offer health insurance coverage. INS states that of the health insurers, many offer coverage through out-of-state trusts which are not typically subject to such mandates. INS estimates that 171 health insurers and 29 HMOs would each submit one policy form amendment resulting in revenues of \$10,000 to the Insurance Dedicated Fund. If multiple proposals pass during the legislative session which would require form amendments to be filed, the insurers would probably file one amendment for all required mandates. INS states this would result in increased revenue of \$10,000 for all proposals.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state the proposal would require health insurers to treat mental health and chemical dependency in the same manner as other medical services. HCP states their current state contracts provide for mental health parity when a member uses a participating provider. For instance, the HMO products provide the same coverage for inpatient medical and inpatient mental; the services are covered at 100%. Visit limitations do not apply to network benefits. HCP states this proposal would not fiscally impact HCP. The Public Entity HMO and POS contracts with HCP are identical to the state benefits. However, the Public Entities have a fully insured PPO through First Health which limits the

ASSUMPTION (continued)

mental health and chemical dependency benefits. By requiring mental health parity additional costs would be incurred. The joint committee on mental health parity estimated the cost to be approximately 5% of premium. The calendar year 2001 Public Entity PPO premium is \$6,795,540. A five percent increase in the cost would result in an increase of \$339,777.

Oversight notes that the state may increase its contribution, the employee may increase their contribution, or some combination thereof to pay any additional premium.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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HIGHWAY FUND

<u>Costs - Department of Transportation</u>			
Increased state contribution	\$0 to (\$480,000)	\$0 to (\$480,000)	\$0 to (\$480,000)

<u>Costs - Department of Public Safety - Missouri State Highway Patrol</u>			
Increased state contribution	<u>\$0 to (\$160,000)</u>	<u>\$0 to (\$160,000)</u>	<u>\$0 to (\$160,000)</u>

ESTIMATED NET EFFECT ON HIGHWAY FUND	<u>\$0 TO</u> <u>(\$640,000)</u>	<u>\$0 TO</u> <u>(\$640,000)</u>	<u>\$0 TO</u> <u>(\$640,000)</u>
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INSURANCE DEDICATED FUND

<u>Income - Department of Insurance</u>			
Form filing fees	<u>\$10,000</u>	<u>\$0</u>	<u>\$0</u>

ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$10,000</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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CONSERVATION FUND

<u>Costs - Department of Conservation</u>			
Increased state contribution	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

ESTIMATED NET EFFECT ON CONSERVATION FUND	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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PUBLIC ENTITIES

<u>Costs - Public Entities</u>			
Increased health insurance contributions	<u>(\$339,777)</u>	<u>(\$339,777)</u>	<u>(\$339,777)</u>

ESTIMATED NET EFFECT ON PUBLIC ENTITIES	<u>(\$339,777)</u>	<u>(\$339,777)</u>	<u>(\$339,777)</u>
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FISCAL IMPACT - Small Business

Small businesses would be expected to be fiscally impacted to the extent that they may incur additional health insurance costs due to the requirements of this proposal.

DESCRIPTION

This proposal would repeal the provisions known as the Mental Health and Chemical Dependency Insurance Act, enacted in 1999, and would replace them with a provision requiring health insurers to provide coverage for mental health and chemical dependency in the same manner as other medical services.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
 Division of Professional Registration
Department of Health
Department of Transportation
Department of Social Services
 Division of Medical Services
Department of Mental Health
Department of Conservation
Missouri Consolidated Health Care Plan

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is fluid and cursive, with the first name "Jeanne" written in a larger, more prominent script than the last name "Jarrett".

Jeanne Jarrett, CPA
Director

February 19, 2001